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Introduction

GENERAL INFORMATION

All municipalities, at both the district and local level, are required by national legislation (Municipal Systems Act, No. 32 of 2000) to prepare Integrated Development Plans (IDPs) and review them annually.

The above-mentioned legislation specifies that the IDP should reflect the community needs and the prioritized actions to address these needs, i.e. the priority to be implemented.

The Municipal Systems Act (MSA) also prescribes that an extensive consultation process must be undertaken as part of the IDP process to obtain the inputs from communities in respect of their needs.

Apart from specifying the needs of communities, the IDP should also specify a vision for the area, i.e. the desired future state of the community and its surrounds and plans to achieve it.

MEMBERS OF THE COUNCIL

Cllr. N.A. Jiyane	Mayor
Cllr. M.N. Biyela	Deputy Mayor
Cllr. D.N. Leitch	Speaker
Cllr. H. Nxumalo	Exco Member
Cllr. B.D. Dlamini	Ward Councillor
Cllr. M.P. Nxumalo	Ward Councillor
Cllr. N.C. Mthalane	PR Councillor
Cllr. H.K.L. Zungu	PR Councillor
Cllr. E.M. Masikane	PR Councillor
Cllr. B.I. Nzuza	Ward Councillor
Cllr. M.M. Ngobese	Ward Councillor

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor-General

BANKERS

First National Bank

REGISTERED OFFICE

21 Reinhold Street,
PO Box 11, Melmoth 3835 Telephone: 035 450 2082

MUNICIPAL MANAGER

F. A. Els

CHIEF FINANCIAL OFFICER

M.J. Bowman: Licentiate Member of Institute of Municipal Finance Officers



Mayor's Foreword

Foreword to the 2008/2009 Annual Report by His Worship the Mayor, Alderman William Harris

Introduction

In the past it has been customary for our Council to introduce the Annual Report of our performance during the year under review by also cataloguing the many constraints under which we operate and which limit our ready access to the developmental funds we need to implement our Integrated Development Plans (IDPs).

This rather negative reality is taken as given with the publication of this document.

The problems which we experienced in the past relating to our narrow tax base, chronic unemployment, AIDS, problems relating to land claims and how these impact on planning, destructive fires and other natural disasters will be with us for the foreseeable future.

Our strategies for dealing with these and other structural problems are still on track and the implementation of our IDP is satisfactory with greater interest and public participation as each year passes.

Accountable

There is a growing public awareness that living conditions are not resolved, nor human needs met, by the mere statement of good intentions. There has to be concrete evidence of an improvement in living conditions of residents.

The Mthonjaneni Municipality has been tasked to bring the fruits of democracy to the residents of this region, to report on progress in this regard and to account to the Auditor-General for public funds spent. To meet these requirements Annual Reports have been produced over the past seven years.

Overview

About R6-million has been expended on the upgrade of local roads and the walkway from Thabalethu to town has been made considerably safer. Capital Projects to the value of about R3-million were also completed during the year. These included the Aids Centre at Thabalethu; the Bomvini, Dubeni, Ndabazensangu and Amazule crèches and the Sizanani pay point.

I'm also pleased to report that local stakeholders in the tourism and hospitality industries together with interested residents, with the help of Council where requested, have worked very hard to optimise the tourism opportunities which are so plentiful in this area.

With the plans which they have formulated in the year under review we may expect that new structures to promote tourism and in this way to create more job opportunities, will be on the cards next year.

Although we were inconvenienced by the load shedding actions of Eskom our own plans forged ahead regarding infrastructure and maintenance of electrical facilities. In this regard our extensions and upgrades were directed towards underground facilities, as theft of accessible cables and other copper was growing apace. A vital quality of life issue is that our refuse management is keeping up with local demand and we continue to stay ahead of the game.

During the financial year under review our net assets (accumulated surplus, capitalisation reserve, government grant reserve and donations and public reserve) increased from about R39-million to over R52-million due to prudent financial management and close supervision of these assets. At the same time our current liabilities we are proud to say decreased by about R0.5-million. It was not necessary to ask Council to approve any applications for loans in the year under review. Our accumulated surpluses increased in round figures from about R16-million to R21-million.

Our financial instruments, which consist of short term deposits, and call deposits stand at over R24-million which represents a growth of about R1.5-million, which we feel is a significant achievement viewed against the well-publicised comparative backdrop of the performance of many other local authorities in the country. We believe that our excellent service to ratepayers was reflected in the generally low rate of 1,23c/R levied on all properties on a monthly basis, which is arguably amongst the lowest in the entire country. Government grants and subsidies to this municipality have increased from about R15-million to about R24-million.

Consumer debtors reduced for the second year in a row from R2.068- million to R1.968-million. This represents sound financial control.

These include the equitable share, finance managements grants, provincial health subsidies, municipal systems improvement grant, provincial grants and MIG grants.

Our Council renders health services on behalf of the Provincial government and is refunded most of the expenditure in this respect. This grant has been used exclusively to fund clinic services and all the conditions which were set for it have been met.

We experienced no delays or withholding of subsidies at any time.

Furthermore it must be noted that the concept of shared services with the uThungulu District Municipality is working as well as can be expected and that my Council is most grateful for their contributions, ready access, advice and guidance and active co-operation in this regard.

Conclusion

In closing I would like to express my thanks to my fellow Councillors for conducting our debates and our business in a most professional manner and for placing the needs of our residents above all other considerations. On behalf of all Councillors I would like also to thank the Municipal Manager Mr Andre Els and his team for their sterling work over the year under review. We present this Annual Report confident in the knowledge that it truly reflects the positive efforts of the Council and its administration to serve the best interests of all the residents of Mthonjaneni in this beautiful part of the world.



General Overview of the Municipality

MUNICIPAL MANAGER'S PRESENTATION

It is my pleasure to present to the Mayor Alderman William Harris the 2008-2009 Annual Report of the Mthonjaneni Local Authority.

This document is in accordance with the Legislative prescripts and includes the following documents:

The Municipality's Annual Financial Statements for the year under review in terms of Section 126 (1) of the Local Government Municipal Finance Management Act

The Annual Performance Report in terms of Section 46 of the Local Government Municipal Systems Act.

The Auditor General's Audit Report in terms of Section 45 (b) of the Local Government Municipal Systems Act.

The Auditor General's Report on Financial Statements in terms of Section 126 (3) Local Government Municipal Finance Management Act

Responses to issues raised by the Auditor General's Report

This Annual Report also reflects the IDP priorities for the 2008-2009 financial year

ANDRE ELS
MUNICIPAL MANAGER
Date: 27/01/2010

Performance Management Framework

MTHONJANENI LOCAL MUNICIPALITY

1) OFFICE OF THE MUNICIPAL MANAGER

KEY PERFORMANCE AREA ACHIEVEMENTS FOR THE 2008/2009 FINANCIAL YEAR

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS 2008/2009	BUDGET	ACTUAL EXPENDITURE
1. Municipal Transformation and Organisation Development	Revised Performance Plans for section 57 managers, aligned with targets set in the IDP	Ensure that draft performance plans for 2008/2009 financial year are submitted to the mayor within specified timeframe as per MFMA after approval of the budget for the 2008/2009 financial year for approval by 31 July 2008	Finalized by 31 July 2008	N/A	N/A
	Conduct Management meetings	Ensure holding of 2 management meetings per month and approval of minutes of Management meetings by 30 June 2009	Meetings are held, but not all are minuted by Secretary. Weekly individual meetings are held.	N/A	N/A
	Submit quarterly performance management reports to the Mayor	Prepare and submit quarterly PMS reports to the Mayor within 28 days from the last day of the quarter	Submitted quarterly	N/A	N/A
	Quarterly Performance feedback sessions by the Performance Panel with each section 57 staff member	Ensure the reporting on completed 2007/08 financial year's performance assessment results to the office of the Auditor General by 30 September 2008	Submitted	N/A	N/A
		Ensure conducting of / and reporting on mid 2008/09 financial year's performance assessment results per section 57 staff member to the Performance Audit Committee by 30 Mar 2009	All the quarterly reports to the Performance Audit Committee were done.	N/A	N/A



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS 2008/2009	BUDGET	ACTUAL EXPENDITURE
	Prepare and submit Annual report for 2007/2008 completed financial year, including the Annual Organisation's Performance Report for approval by Council.	Submit Annual Report and Annual Performance report and Audited Financial statements for 2007/2008 financial year on achievements and new targets set for tabling to Council by 31 January 2009.	Submitted to Exco on 28 01 2009	N/A	N/A
	Report on the implementation of the Employment Equity Plan and meeting its targets and career planning plus succession planning policy and guideline development	Ensure the review of the Employment Equity plan annually by 30 April to determine whether targets approved by Council are reached and designate the Section 57 staff to implement, manage, and report quarterly progress to the LLF	Submitted	N/A	N/A
	Effective and efficient functioning of internal audit and enable the successful auditing of performance measures	Establish an internal audit unit in the office of the MM by 30 Jun 2009	Established	N/A	N/A
	Prescribed documentation is published on Councils official web-site as required in terms of legislation.	Ensure that CFO and DCS publish required documentation on Council's website i.e. Section 57 performance agreements and plans, annual report, including annual performance report and audited annual financial statements, SDBIP, etc and report quarterly to the Mayor on documentation published	Documentation published	N/A	N/A
	Establish a fully functional Disaster Management Unit	Ensure the establishment of a fully functional municipal (internal) Disaster Management Unit by 30 June 2009	Established	N/A	N/A

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS 2008/2009	BUDGET	ACTUAL EXPENDITURE
	Approval of LUMS and revised Town Planning Scheme	Ensure that the LUMS and revised Town Planning Scheme is approved by 30 June 2009	Revised scheme tabled with Planning Commission. Awaiting response.	N/A	N/A
2. Basic Service Delivery	Provision of efficient and effective service delivery to the community so that the operational and maintenance requirements are met in relation to all functional areas	Ensure Coordination of service delivery according to operational management program reflected on the SDBIP and report quarterly on progress to the Mayor.	Reports tabled monthly with Exco	N/A	N/A
		Manage the implementation of the Ndundulu and Yanguye Rural Housing Schemes and report on progress to the Mayor by 30 Jun 2009	Yanguye Scheme has commenced. Awaiting response from Department of Housing for Ndundulu Scheme.	N/A	N/A
		Commence with the planning and implementation of low cost housing project for Thubalethu by 30 Jun 2009	Tenders had to be re-invited.	N/A	N/A
		Ensure that the construction of Public Centres are completed by 30 June 2009 and submit quarterly progress reports to the Mayor	All have been completed	R1,500,000	R1,500,000
	Report on Progress on expenditure of MIG Funding allocated per financial year	Ensure that quarterly reports be prepared and submitted to EXCO on the status of projects/activities funded by MIG	Reports tabled monthly with Exco	R5,245,653	R5,936,587
3. Local Economic Development	Continuation of sustainability of the Aloe and essential oils project	Ensure continued sustainability of the aloe and essential oils project and quarterly report progress to the Mayor.	Negotiations are being held to progress the projects	N/A	N/A
	Sale of prime commercial property to developers to construct a mall	Ensure negotiations for the sale of prime commercial property to developers to construct a mall and report on progress by 30 Jun 2009	Negotiations are being held with a developer to finalize the deal.	N/A	N/A



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS 2008/2009	BUDGET	ACTUAL EXPENDITURE
4. Municipal Financial Viability and Management	Approval of a budget document for 2009/2010 financial year in accordance with the Municipal	Ensure preparation and submission of draft 2009/2010 budget to Council by 31 March 2009	Submitted	N/A	N/A
		Ensure preparation	Submitted	N/A	N/A
	Update and implementation of valuation roll by 30 June 2009.	Ensure processing of supplementary valuation rolls be done in accordance with the Property Rating Act by 30 June 2009	Continuous updating done	N/A	N/A
	Capital programme from own funding spent from year to year to be 80%	Ensure that 80% of Capital budget from own funding spent from year to year is achieved and report quarter progress to the Mayor.	Monthly reports tabled with Exco	N/A	N/A
5. Good Governance and Public Participation	Review of the IDP conducted and all stakeholder groups were consulted by the target date.	Facilitate Public Participation Sessions and report back on the number of meetings conducted with the public for completion by 31 March 2009	Public meetings were held	N/A	N/A
		Ensure the review of the IDP and participation of all stakeholder groups by 31 March 2009	Review meetings are being held	N/A	N/A
	Submit the IDP to Council for approval before the final budget, 31 March 2008	Ensure preparation and submission of the IDP to Council for approval before the draft budget submission by 31 March 2009	Tabled to Council	N/A	N/A
	EXCO and Council resolutions implemented within the specified timeframes	Ensure the strengthening of the municipal secretariat function as per project plan and report quarterly progress to the Mayor	Resolutions are executed	N/A	N/A
	Regular communication with communities on the achievement of targets set out in IDPs is carried out	Keep community up to date with the status achievement of targets set out in the IDP by publishing quarterly newsletters and provide quarterly evidence of communication to the evaluation panel.	Only two Quarterly newsletters were published. The third is with the publisher.	N/A	N/A

2) DEPARTMENT OF THE CHIEF FINANCIAL OFFICER

KEY PERFORMANCE AREA ACHIEVEMENTS FOR THE 2008/2009 FINANCIAL YEAR

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
1. Monitor and control the Municipality's budget and management accounts.	Effectively plan, execute and manage the budgeting process in accordance with the Municipal Finance Management Act, 2003.	Prepare and submit 2009/2010 draft budget to Council for approval by 22 March 2009 in terms of section 87 (1) of the MFMA	Submitted to council on the 25 th march 2009	N/A	N/A
		Prepare and submit final 2009/2010 budget to Council for approval by 31 May 2009 in terms of section 87 (4) of the MFMA	Submitted to council on The 27 th may 2009	N/A	N/A
		Prepare and submit the Mid-Year Financial Review or the 2008/2009 budget in terms of S72 of the MFMA and the adjustments budget if required, by 25 January 2009	Submitted to EXCO On the 28 th January 2009	N/A	N/A
	Submit monthly and quarterly financial reports to the MM, Mayor and Council	Prepare and submit monthly financial reports to the Mayor in terms of section 71 of the MFMA	Submitted monthly To EXCO & treasury	N/A	N/A
	Produce annual financial statements that comply with applicable legislation (GAMAP/ GRAP)	Complete and formally submit the 2007/08 financial statements to Auditor General by 31 August 2008	Submitted on the 28 th august 2008	N/A	N/A
	Prepare time schedules of key deadlines for 2008/09 budget	Submit time schedules to Management Committee and Exco before 25 August 2008	Submitted to EXCO agenda on 23 rd September 2008	N/A	N/A
	Submit Audit Report to Council	Submit the Financial Audit Report of 2007/2008 financial year to Council by 31 January 2009	Submitted on the 28 th January 2009	N/A	N/A



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
	Review Municipal Finance Management Act Implementation Plan	Prepare and Submit the Service Delivery and Budget Implementation Plan by 30 June 2008	Submitted to the EXCO agenda on the 24 th July 2008	N/A	N/A
	Maintain an investment register	Submit quarterly report on investment register to the Mayor in consultation with Exco.	Submitted quarterly To EXCO & treasury	N/A	N/A
	Prepare primary banking account details	Finalise and submit primary banking account details to Audit General and Provincial Treasury by 31 March 2009	Faxed on the 2 nd July 2008	N/A	N/A
11. Manage Revenue through compliance to legislation, implementation of internal controls, implementation and review of relevant policies and monitoring of grant funding	Annually revise revenue policies	Prepare and submit revised credit and debt control policy for approval by 30 June 2009	Included in executive summary for budget 2009/10, approved by council 27/5/2009	N/A	N/A
		Prepare and submit revised indigent policy for approval by 30 June 2009	Included in executive summary for budget 2009/10, approved by council 27/5/2009	N/A	N/A
		Prepare and submit revised tariff policy to the MM and Exco by 30 June 2009	Included in executive summary for budget 2009/10, approved by council 27/5/2009	N/A	N/A
	Improve debtors collection per targets	Identify and report on Debtor indicators by 30 June 2009	Included in 2007/08 financial statements and reported on monthly to EXCO. Pg 19 of a.f.s. 2007/08	N/A	N/A
		Submit monthly debtors' collection reports to the Mayor in consultation with EXCO	Financial indicators submitted monthly to EXCO	N/A	N/A

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
	Reporting of grants as gazetted	Submit monthly Grant reports on all DORA reportable grants received within 10 days	Submitted monthly To EXCO & treasury	N/A	N/A
	Processing of a valuation roll in accordance with the new Property Rating Act.	Ensure the updating and maintenance of valuation roll by 30 Jun 2009	Supplementary roll for 2008/09 was received and advertised on 26/02/2009 and effective from 01/04/2009	N/A	N/A
18. Control Expenditure supply chain management, stock and asset management through compliance to legislation, implementation of internal controls, implementation and review of relevant policies, prompt payment of creditors and prompt payment of staff salaries and councillor allowances.	Annual review of Supply Chain Management policy	Submit annual review report on the Supply Chain Management policy by 30 June 2009.	Included in executive summary for budget 2009/10, approved by council 27/5/2009	N/A	N/A
	Annual review of Fixed Asset policy	Submit annual review report on the Fixed Asset Management policy by 30 June 2009.	Included in executive summary for budget 2009/10, approved by council 27/5/2009	N/A	N/A
	Supply Chain Management is controlled in terms of regulations, policy and procedures	Submit quarterly SCM reports to Exco.	Submitted quarterly To EXCO & treasury	N/A	N/A
	Administrate and maintain a fixed asset register	Complete an annual fixed asset audit by 30 June 2009	Completed by 30/06/2009	N/A	N/A
	Monitor the timely payment of creditors and salaries	Ensure that a monthly cash flow statement is submitted to Exco.	Submitted monthly To EXCO	N/A	N/A
		Monitor all variations on payroll and make sure creditors and salaries are paid by the last Friday of each month.	Submitted monthly To EXCO	N/A	N/A
	Control and monitor stores centres by performing annual stock counts	Perform annual stock count by 30 June 2009.	Annual stock take undertaken on 29 & 30/06/2009	N/A	N/A



DEPARTMENT OF THE DIRECTOR CORPORATE AND COMMUNITY SERVICES
KEY PERFORMANCE AREA ACHIEVEMENTS FOR THE 2008/2009 FINANCIAL YEAR

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
1. Secretariat services	Organise and provide secretarial services (organize, produce and distribute documentation, agendas, minutes etc.) for Council, Exco and Sub Committee Meetings.	Compile and deliver agendas in accordance with Council's Standing Rules of Order (Keep record of all agendas and minutes for inspection). Present statistics quarterly to the performance evaluation panel.	All agendas are compiled and delivered to councillors and senior officials in terms of the Council's Standing Rules of Order. Records of all agendas and minutes are kept in the Registry. Quarterly statistics are presented	N/A	N/A
	Manage Portfolio Committee System by scheduling of meetings, submission of agendas and keeping of minutes of meetings.	Schedule at least one portfolio committee meeting bi-monthly per portfolio and submit agendas and minutes.	Council took a decision that Portfolio Committees be suspended and all items be forwarded to Exco and Council.	N/A	N/A
		Schedule at least one Exco meeting per month except for December and submit agendas and minutes	Schedule of all Exco meetings for the year 2009/2010 was approved by Council. Agendas and Minutes for 29 April 2009, 27 May 2009 and 25 June 2009 were submitted to all councillors. See attached copies of agendas and minutes.	N/A	N/A

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
		Schedule one Council meeting each quarter and submit agendas and minutes	Schedule of all Council meetings for the year 2008/2009 financial year was approved by Council. Agendas and minutes 27 May 2009 and 03 June 2009 were submitted to all councillors. See attached copies of agendas and minutes.	N/A	N/A
	Maintain Council policies and delegated powers.	Update Council policies and delegated powers register as result of Council resolutions impacting on policies and provide evidence quarterly to the performance evaluation panel.	The updated policies were submitted to council on the 03 rd Dec 2008 for approval. Councillors workshop scheduled for 15 th July 2009. Termination Policy at the draft stage.	N/A	N/A
6. Integrated Development Planning	Ensure that the review of the IDP be conducted and that all stakeholder groups were consulted by the target date.	Facilitate Public Participation Sessions and report back on the number of meetings conducted with the public for completion of the IDP review by 31 March 2009	The schedule of public participation meetings were approved by Council on the 3 rd December 2008. The public meetings were held in all wards from October 2008 to April 2009. Resolutions, agendas and minutes attached.	N/A	N/A



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
		Ensure the review of the IDP and participation of all stakeholder groups by 31 March 2009	IDP Steering Committee which is made up of all Councillors, Senior management and Representative Forum made up of representatives from all sector departments, businesses and Amakhosi meetings were held on the 25 th May 2009. Agendas and attendance registers	N/A	N/A
		Prepare and submit the IDP draft review document to Council for approval before the draft budget submission by 31 March 2009	The IDP draft review document was submitted to Council on the 25 th March 2009 for approval.	N/A	N/A
7. Community Facilitation	Ward Committee meetings	Ensure the scheduling and approval of monthly ward committee meetings	The Schedule of quarterly Ward Committee meetings was approved by Council.	N/A	N/A
		Ensure proper reporting on ward committee meetings, by submitting quarterly reports to Council.	A report on ward committee meetings for the last quarter, was submitted to Exco on the 25 th June 2009.	N/A	N/A

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
	Public Participation	Hold at least 3 community participation meetings for the year of public participation during IDP review process.	Public participation meetings schedule were submitted to Council for approval on the 25 th March 2009. Three public participation meetings were held at KwaSanguye on the 7 th April 2009, Melmoth Town Hall 7 th April 2009 @ 17h00 and at Ndundulu Hall on the 8 th April 2009. Resolution, Agendas and newspaper adverts	N/A	N/A
10. Deliver a Human Resource Development service	Formulation of updated Human Resources policies	Submit revised and new Human Resources Policy to Council for approval by 30 June 2009.	All new Human Resources policies submitted to Council were workshopped with Councillors on the 16 th April 2009 and will be forwarded to Council for approval.	N/A	N/A
	Co-ordinate and organize Local Labour Forum meetings.	Ensure monthly Local Labour Forum meetings be conducted during the year.	Local Labour Forum (LLF) meetings are held monthly. Letter of postponement of meeting, agenda and minutes	N/A	N/A
	Ensure Investigation and prosecution of disciplinary cases for all departments.	Investigation and prosecution of all reported disciplinary cases by the target date	All reported disciplinary cases are investigated and prosecuted on time. The last disciplinary case attended was on the 24 th April 2009.	N/A	N/A



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
	Develop the capacity of the municipality to ensure quality services in terms of the policy.	Ensure Quarterly report on skills development and training is submitted.	A list of all trained staff in 2008/2009 financial year was submitted.	N/A	N/A
	Ensure implementation of an employment equity plan.	Compile an employment Equity Plan and submit to Exco by 30 June 2009 for approval.	This municipality submitted its EEP for 2008. The attached letter from Dept of Labour informed that the next EEP will be submitted in 2010.	N/A	N/A
	Ensure drafting of a Work Place Skills Plan (WSP)	Compile a WSP and submit to Exco by 30 September 2009 for approval.	The report was submitted to Exco on the 25 th June 2009 for approval before the deadline.	N/A	N/A
	Ensure an efficient and effective central registry service to the municipality	Ensure that correct filing of correspondence is done and minimal misfiling takes place by ensuring that relevant staff is trained by 30 June 2009.	Correct filing of correspondence is done through the Electronic Filing system and misfiling is very minimal.	N/A	N/A
17. Disaster Management	Develop and establish a fully functional Disaster Management Unit for the Municipality in conjunction with the District Disaster Management Unit.	Hold regular meetings on Disaster Management and ensure that representatives from all relevant local stakeholders including uThungulu Disaster Management Centre attend these meetings and report quarterly to the portfolio committee.	Council approved the establishment of the Local Disaster Management Advisory Forum on the 28 th January 2009. Regular meetings are held and a list of Stakeholders, Council resolution, agendas and minutes	N/A	N/A

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
	Draft a Mthonjaneni Disaster Management Plan	Ensure the drafting of a Disaster Management plan and submit to the portfolio committee by 30 June 2009.	The municipality has approved the Disaster Management Policy as part of the Local Disaster Management Plan. The draft plan will be tabled to Council on the 30 th September 2009 for approval. Resolution and minutes of the last meeting held on the 17 th June 2009.	N/A	N/A
	Establish a fully functional municipal disaster management unit	Ensure the establishment of a fully functional municipal (internal) Disaster Management Unit by 30 June 2009.	Disaster Management Internal structure: Clr EM Masikane, Clr MN Biyela (D.Mayor) Mr D. Horne, Mr BB Zungu and Mr KC Zulu	N/A	N/A
20. Ensure the delivery of motor vehicle registration and vehicle licensing service	Manage and plan road transport/testing grounds activities	Ensure effective and efficient examination of vehicles and report quarterly to the protection services portfolio committee on number of vehicles examined	Motor vehicles are effectively and efficiently examined by the protection services staff and monthly reports are available.	N/A	N/A
		Ensure effective and efficient motor vehicle registrations and licensing and report quarterly to the portfolio committee on number of vehicles registered and licensed and revenue received	Motor vehicle registrations and licensing are effectively and efficiently done and quarterly report are available	N/A	N/A



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
	Ensure effective and efficient administration and maintenance of records for Licensing of vehicles	Ensure zero fraud and aim for best Provincial Audit Report in Province on delivering of vehicle licensing service	Quarterly audits are done by the Provincial Dept of Transport to prevent fraud and corruption. All audit queries are attended to. We are waiting for the report for the last quarter audit. Audit Reports and Responses are available.	N/A	N/A
21. Learners and drivers licensing testing service.	Ensure effective and efficient delivery of a Learners and drivers license testing and administration and maintenance of records service	Report quarterly to the Municipal Manager on the number of Learners Licence bookings for the period.	Monthly Learners licences bookings for April, May and June 2009	N/A	N/A
		Report quarterly to the Municipal Manager on the number of Learners Licence examinations performed.	Monthly Learners licence examination performed in April, May and June 2009 are listed and available.	N/A	N/A
		Report quarterly to the Municipal Manager on the number of Drivers Licence bookings for the period.	Monthly Drivers licences bookings for April, May and June 2009 are available	N/A	N/A
		Report quarterly to the Municipal Manager on the number of Driver Licence examinations performed.	Monthly Drivers Licences examinations performed in April, May and June 2009 are available.	N/A	N/A
22. Housing	Facilitate the implementation of the Yanguye and Ndundulu Rural Housing Schemes.	Progress report to be submitted quarterly by the relevant department and the appointed Consultants submit monthly report on their investigation.	Yanguye Housing Project has finally been approved and waiting for DOH to give a go ahead with the implementation.	N/A	N/A

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
	Facilitate the implementation of Thubalethu Housing transfers in terms of the approved business plans.	Submit quarterly progress reports and hold project meetings as required.	Mphathi Investment has been appointed by the Department of Housing to facilitate the process. Waiting for the final report.	N/A	N/A
24. Ensure an effective and efficient Local Economic Development service	Ensure that all Local Economic Development projects i.e essential oils, garden and poultry projects are properly managed and facilitated.	Submit quarterly progress reports and hold project meetings as required on all Local Economic Development projects.	The LED monthly report was submitted to Council on the 25 th June 2009 for information.	N/A	N/A
	Expand the local economic development projects for further job creation projects to be established.	Use the Aloe production project for Community Economic Development: Implementation of programme on soft skills to train community members by the 30 Jun 2009	The Vukayibambe Co-operate has been identified as the beneficiaries for the Aloe Project in Ward 4. The site has been measured by DOA. The soil testing has been done. Business Plan with DLGTA for comments.	N/A	N/A
	Attend to all matters concerning the Hawkers Committee and hawker trading.	Submit quarterly reports on regular meetings of the hawkers committee to the portfolio committee.	Meetings are held with the hawkers Committee to deal with all issues of concern. The Town Planner and ATD are still busy with the estimates of upgrading the newly identified site. Minutes of the last meeting held on the 28 th May 2009 available.	N/A	N/A
27. Ensure the delivery of a protection service	Ensure the delivery of a traffic patrol and traffic law enforcement service	Ensure performing of fortnightly roadblocks and report quarterly to the Municipal Manager.	A total 68 Roadblocks were arranged by the Protection Services of the Municipality.	N/A	N/A



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
		Ensure that 1000 vehicles are screened for speed per annum and report quarterly to the Municipal Manager on the number of vehicles screened	Traffic Officers screened 918 vehicles. This is due to the fact that our officers perform dual functions, of testing drivers and traffic control at the same time. Report available.	N/A	N/A
	Ensure enforcement of by-laws (i.e nuisance, street trading, outdoor advertising, etc.)	Ensure attendance to all nuisance and dog complaints and report quarterly to the Municipal Manager on the number of complaints attended to.	Traffic Officers do attend to all dogs and nuisance complaints. A total of 85 complaints we attended to.	N/A	N/A
		Ensure attendance to all complaints relating to street treading and transgression of outdoor advertising bi-laws and report quarterly to the Municipal Manager on the number of complaints/transgressions attended to	Traffic Officers do attend to all complaints/transgressions reported.	N/A	N/A
	Erection of road signs.	Ensure that road signs are erected according to regulations and legislation and report quarterly to the Municipal Manager on road signs erected	All road signs are erected under the supervision of the Traffic Official in terms of the regulations and legislation.	N/A	N/A
	Road markings.	Ensure that road markings are painted where required and report quarterly to the Municipal Manager on road markings completed	All road markings are painted under the supervision of the Traffic Official in terms of the regulation and reported	N/A	N/A
	Hold Departmental meetings to ensure efficiency of staff.	Hold monthly Departmental meetings and keep record of minutes of meetings to ensure that staff is efficiently utilised.	Departmental meetings are held monthly minutes available.	N/A	N/A

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
34. Ensure delivery of a library service to the community	Manage and administer the provision of library services to the community.	Manage the provision of the library service and provide all relevant statistics to the Municipal Manager on a monthly basis.	Monthly reports on the provision of library services are provided to the Municipal Manager. Copies of reports available.	N/A	N/A
35. Primary Health	Implementation of Government Key Strategies and policies in Health Care Delivery and the provision of Municipal Health Services.	Ensure 100% Completion of Government Key Strategies and policies in Health Care Delivery (Quarterly Reports)	Report was submitted to Department of Health.	N/A	N/A
36. Special Projects	Administer the Vuna Awards competition application	Ensure that Vuna Awards competition forms are completed and submitted on time	The municipality did not participate in the Vuna Awards for this financial year.	N/A	N/A
	Ensure proper organisation of all events i.e. Woman Day, Youth Day etc	Ensure that all events i.e. Woman Day, Youth Day etc be properly organised and quarterly report on events to the portfolio committee	All municipal events were properly organised and reports submitted.	N/A	N/A
	Plan and prepare for crime consultative meetings.	Arrange quarterly crime prevention consultative meetings with all relevant stakeholders and report quarterly to the Municipal Manager.	The municipality is now represented by Director Corporate & Community Services in the Local Community Policing Forum. Letter, schedule of meetings and an agenda for the first meeting attended are available	N/A	N/A



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATORS	PERFORMANCE TARGETS	ACHIEVEMENTS	BUDGET	ACTUAL EXPENDITURE
38. Ensure the delivery of a Fire and Emergency Service	Ensure attendance to accident scenes where injuries occurred	Respond to all reported accident scenes and incidents where injuries occurred and report quarterly to the Municipal Manager on number of accidents attended	Traffic Officers and Rural Metro do respond to all reported accident scenes and incidents where injuries occur and monthly reports are submitted to Exco and Council. Reports and Resolutions for April 2009 and May 2009 are available.	N/A	N/A
	Assist UThungulu District Municipality with fire and rescue planning	Meet at least 2 x per year with uThungulu district municipality to assist with fire and rescue planning.	District Disaster Management Advisory Forum meeting was held on the 18 th February 2009 and on the 19 th June 2009. Invitation and Agenda are available.	N/A	N/A

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Report of the Auditor General

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF MTHONJANENI MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of Mthonjaneni Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 39.

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996, read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. Paragraph 11 *et seq.* of the Standard of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined

that my audit of any disclosures made by the Mthonjaneni Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement. Consequently, a decision has been taken that the AGSA will not audit the budget information presented in the financial statements in terms of GRAP 1 and the audit opinion will, therefore, not cover such information.

7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mthonjaneni Municipality as at 30 June 2009 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in accounting policy note 1.1 and in the manner required by the MFMA.

OTHER MATTERS

Without qualifying my opinion, I draw attention to the following matters that relate to my responsibility in the audit of the financial statements:

Unaudited supplementary schedules

9. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary budget information set out on pages XX to XX do not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

Key governance responsibilities

11. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:



No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	✓	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	✓	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	✓	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	✓	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	✓	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	<ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. 	✓	
	<ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. 		✓
7.	Internal audit		
	<ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. 	✓	
	<ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. 	✓	
	<ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. 	✓	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	✓	

No.	Matter	Y	N
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	✓	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA.		✓
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	✓	
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	✓	
14.	SCOPA resolutions have been substantially implemented.	✓	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA.		✓
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	✓	

12. Governance policies and practices operate effectively and appropriately, except for weaknesses identified with respect to the risk management, audit committee and performance information. These weaknesses need to be addressed to improve adherence to the governance framework.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

13. I have reviewed the performance information as set out on pages 6 to 23.

The accounting officer's responsibility for the performance information

14. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).



The Auditor-General's responsibility

15. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
16. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
17. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

No reporting of performance information

18. The municipality has only prepared a performance report for its section 57 employees and not a performance report in terms of sections 46 of the MSA.

Key performance indicators

19. The key performance indicators set by the municipality did not include any general key performance indicators as applicable to the municipality as required by section 43 (2) of the MSA.

Non-compliance with Local Government: Municipal Planning and Performance Management Regulation

20. Input and outcome indicators in respect of each development priority, in accordance with Local Government – Municipal Planning and Performance Management Regulation 9, were not set.
21. The internal auditors of the municipality did not conduct an audit of performance measurement of the municipality and submit quarterly reports on their audits as required by section 14(1)(c) of the Local Government: Municipal planning and performance management regulations.
22. The municipality did have a performance evaluation committee which reviewed the section 57 employees' performance, however the municipality's performance as required by section 14(2)(a) had not been reviewed and mandatory tasks as required by section 14(4)(a) and (b) were not performed.

APPRECIATION

23. The assistance rendered by the staff of the Mthonjaneni Municipality during the audit is sincerely appreciated.

Auditor-General.

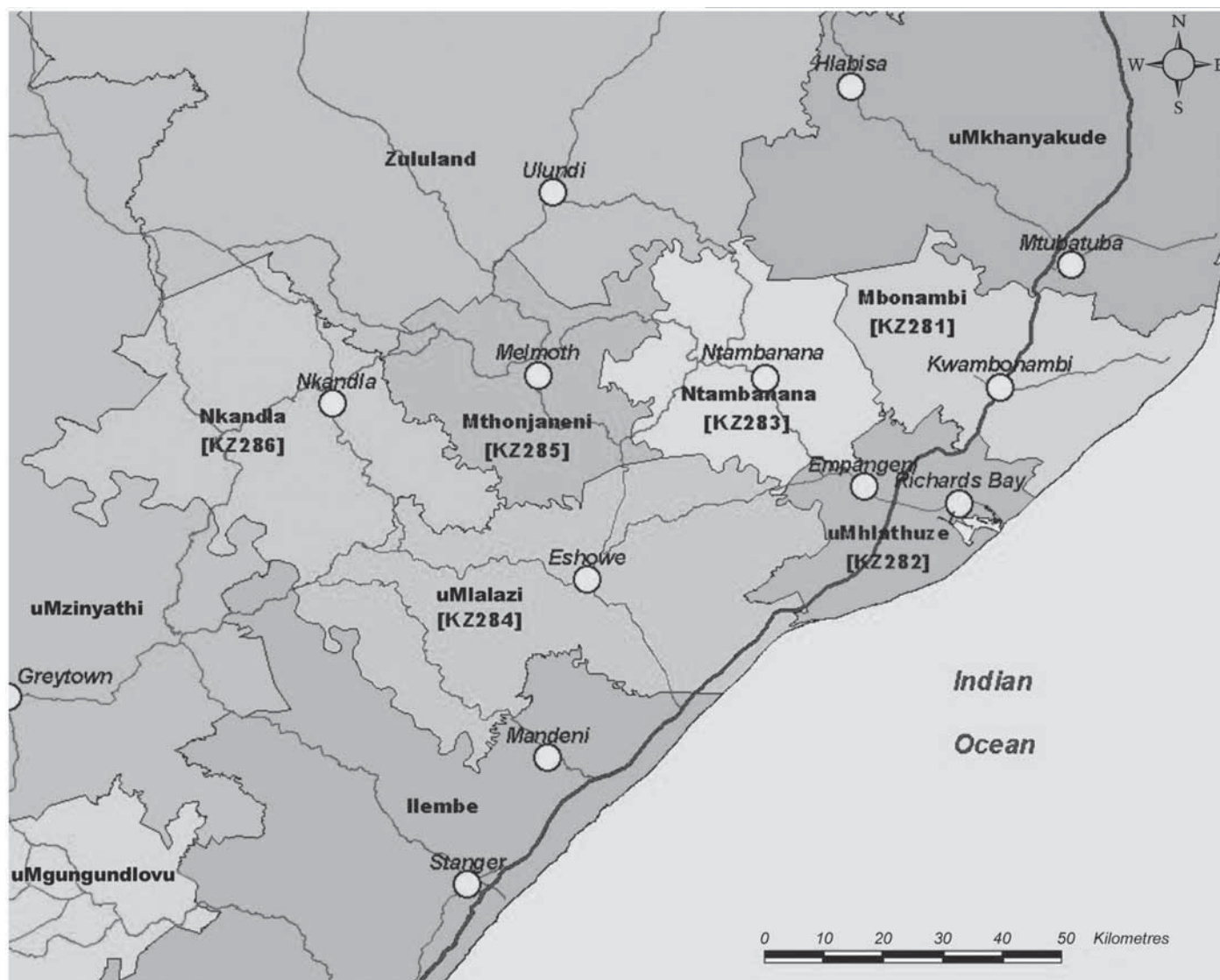
Pietermaritzburg

30 November 2009





Map indicating location of Mthonjaneni Municipality



**Annual Financial
Statements for the year
ended 30 June 2009**





Notes to the Financial Statements for the year ended 30 June 2009

Certification by the Municipal Manager

I certify that the remuneration of the Councillors and the in-kind benefits are in accordance with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Signed
Municipal Manager

A handwritten signature in black ink, consisting of stylized initials, positioned above a dotted line.

Approval of Financial Statements

The Annual Financial Statements set out on pages 38 to 69 were approved by the Municipal Manager on 19/8/2009 and were presented to and approved by Council on 26/8/2009
Jointly signed by

Municipal Manager and Chief Financial Officer

Two handwritten signatures in black ink, one on the left and one on the right, positioned above a dotted line.

Annual Financial Statements for the year ended 30 June 2009

I am responsible for the preparation of these annual financial statements which are set out on pages 38 to 69, in terms of Section 126 (1) of the Local Government Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of the Public Office Bearers Act and the Minister of Provincial and Local Government's determination are in accordance with this Act

Signed
Municipal Manager

A handwritten signature in black ink, consisting of stylized initials, positioned above a dotted line.

MTHONJANENI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

for the year ended
30 June 2009

I am responsible for the preparation of these annual financial statements, which are set out on pages 38 to 69, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 19 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Municipal Manager

19/8/2009

Date



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GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Mr W.H. Harris	Mayor
Mr M.N. Biyela	Deputy Mayor
Mr B.D. Dlamini	Speaker
Mr H. Nxumalo	PR Exco Member
Mrs N A Jiyane	Ward Councilor
Mr B.E. Mhlongo	Ward Councilor
Mrs N.C. Mthalande	PR Councilor
Miss H.K.L. Zungu	PR Councilor
Mr E.M. Masikane	PR Councilor
Mr B.I. Nzuza	Ward Councilor
Mr M.M. Ngobese	Ward Councilor

GRADING OF LOCAL AUTHORITY

Grade 4

AUDITORS

Auditor-General

BANKERS

First National Bank

REGISTERED OFFICE

21 Reinhold Street MELMOTH	P O Box 11 MELMOTH 3835	Telephone: 035 450 2082
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MUNICIPAL MANAGER

F A Els

CHIEF FINANCIAL OFFICER

M.J. Bowman : Licentiate Member of Institute of Municipal Finance Officers



APPROVAL OF FINANCIAL STATEMENTS

The Annual financial statements set out on pages 38 to 69 were approved by the Municipal Manager on 19/8/2009 and will be presented to and approved by Council on 26/8/2009.

A handwritten signature in black ink, consisting of stylized, overlapping loops.

MUNICIPAL MANAGER

Qualifications: BA (Law)
B Juris

A handwritten signature in black ink, featuring a series of sharp, angular strokes.

CHIEF FINANCIAL OFFICER LIMFO

Qualifications: Certificate Programme in
Management Development for
Municipal Finance

REPORT OF THE CHIEF FINANCIAL OFFICER

1. OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2009 are as follows:

	Actual 2008	Actual 2009	Variance 2008/2009	Budget 2008/2009	Variance Budget Actual
	R	R	%	R	%
INCOME					
Opening Surplus	15,426,876	15,927,128			
Operating Income for the year	32,026,655	44,056,724	37.56	37,746,900	14.32
Sundry Transfers	1,643,950	1,333,387			
Closing Deficit		0		2,035,000	
	49,097,481	61,317,239		39,781,900	

	Actual 2008	Actual 2009	Variance 2008/2009	Budget 2008/2009	Variance Budget Actual
	R	R	%	R	%
EXPENDITURE					
Operating Expenditure for the year	33,170,353	42,121,345	26.98	39,781,900	5.55
Sundry Transfers	0	0			
Closing Surplus	15,927,128	19,195,894			
	49,097,481	61,317,239		39,781,900	



1.1 Rate and General Services

	Actual 2008	Actual 2009	Variance 2008/2009	Budget 2008/2009	Variance Budget Actual
	R	R	%	R	%
Income	26,009,084	35,492,223	36.46	29,785,037	16.08
Expenditure	26,819,527	33,715,152	25.71	30,785,037	8.69
Surplus (deficit)	-810,443	1,777,071		-1,000,000	
Surplus (deficit) as % of Total Income	-3.12	5.01			

1.2 Electricity Services

The prices for the purchase of electricity as well as postal and telecommunication charges, salaries and wages are subject to administered adjustments.

The following is a summary of the operating results of the Mthonjaneni Municipality Electricity Services:

	Actual 2008	Actual 2009	Variance 2008/2009	Budget 2008/2009	Variance Budget Actual
	R	R	%	R	%
Income	6,017,571	8,564,501	42.32	7,961,863	7.04
Expenditure	6,350,826	8,406,193	32.36	8,996,863	-7.03
Surplus (deficit)	-333,255	158,308		-1,035,000	
Surplus (deficit) as % of Total Income	-5.54	1.85			

Resources used to finance the fixed assets were as follows:

2. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets incurred during the year amounted to R 11 483 461

	Actual 2008/2009	Budget 2008/2009	Actual 2007/2008
	R	R	R
Roads	5,936,587	5,345,000	45,311
Building	4,415,057	2,704,000	2,910,760
Other Infrastructure	987,898	975,000	538,857
Other Fixed Assets	143,919	170,400	372,427
Vehicles	0	0	444,857
	11,483,461	9,194,400	4,312,212

1) Source of Financing

	Actual 2009	Actual 2008
	R	R
Contribution from Operating Income	1,131,817	1,393,503
Grants and Subsidies	10,351,644	2,918,709
Surplus Revenue		
	11,483,461	4,312,212



3. FUNDS, RESERVES AND PROVISIONS

The movement regarding external loans is given in appendix A.

4. A WORD FROM THE CHIEF FINANCIAL OFFICER

I would like to thank the Mayor and members of the Executive Committee and other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and my personnel during the year. A special word of appreciation to the personnel of the Finance Department for their continual commitment.

A handwritten signature in black ink, appearing to be 'M.J. Bowman'.

MR. M.J. BOWMAN
CHIEF FINANCIAL OFFICER

Date:.....19/8/2009.....

MTHONJANENI MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

	Note	2009 R	2008 R
NET ASSETS AND LIABILITIES			
Net Assets		52,556,818	39,137,978
Accumulated Surplus/(deficit)	2	21,198,972	15,927,126
Capitalisation reserve		13,473,858	6,938,201
Government grant reserve		17,874,022	16,256,536
Donations and Public reserve		9,966	16,115
Non-current liabilities		0	0
Current liabilities		7,551,929	8,094,936
Consumer deposits	3	504,856	486,813
Current Provisions	4	209,183	146,530
Creditors	5	6,837,890	7,461,593
Total Net Assets and Liabilities		60,108,747	47,232,914
ASSETS			
Non-current assets		31,357,846	21,207,772
Property, Plant and Equipment	6	31,357,846	21,207,772
Long-term receivables	8		0
Current Assets		28,750,901	26,025,142
Inventory	9	245,952	274,252
Investments	7	24,540,000	23,000,000
Consumer debtors	10	1,968,004	2,068,733
Other debtors	11	787,803	388,666
Current portion of long-term debtors	8		0
Bank balance and cash	12	1,209,142	293,491
Total		60,108,747	47,232,914

(Note: The Statement of Financial Position has been prepared in accordance with GRAP 1)



**MTHONJANENI MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30th JUNE 2009**

Budget			Actual		
2008 R	2009 R	Note	2009 R	2008 R	
REVENUE					
3,300,000	3,380,000	Property rates	13 5,174,567	4,765,914	
350,000	350,000	Property rates - penalties imposed and collection charges	254,244	266,807	
5,636,000	7,354,000	Service charges	14 8,202,862	5,994,844	
379,000	459,000	Rental of facilities and equipment	374,192	333,447	
1,326,114	1,500,000	Interest earned - external investments	2,917,382	2,387,382	
500,000	170,000	Fines	139,716	113,564	
2,790,000	2,164,000	Licences and permits	1,828,236	1,726,821	
18,244,000	21,665,000	Government grants and subsidies	15 24,067,388	15,795,530	
2,468,040	704,900	Other income	16 1,098,137	642,346	
34,993,154	37,746,900	Total Revenue	44,056,724	32,026,655	
EXPENDITURE					
9,144,500	9,718,000	Employee related costs	17 9,290,249	8,319,076	
1,941,174	2,135,300	Remuneration of Councillors	19 2,110,019	1,899,747	
55,000	55,000	Collection costs	3,890	2,343	
1,599,000	1,946,700	Repairs and maintenance	1,519,140	1,158,840	
3,700,000	5,130,000	Bulk purchases	21 5,159,598	3,910,884	
152,000	194,500	Service charges	192,644	119,618	
19,976,480	20,052,400	General expenses	24 23,704,847	17,556,588	
485,000	550,000	Contributions to provisions	140,958	203,257	
37,053,154	39,781,900	Total Expenditure	42,121,345	33,170,353	
-2,060,000	-2,035,000	NET SURPLUS/(DEFICIT) FOR THE YEAR	1,935,379	-1,143,698	
		Appropriations	0	0	
		TOTAL NET SURPLUS / (DEFICIT)	1,935,379	-1,143,698	
Refer to Appendix E(1) for explanation of variances					

(Note: The income statement has been prepared in accordance in GRAP 1 and the budget formats)

MTHONJANENI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

	<u>Capitalisation Reserve</u>	<u>Government Grant Reserve</u>	<u>Donations and Public Contribution Reserve</u>	<u>Accumulated Surplus/ (Deficit)</u>	<u>Total</u>
	R	R	R	R	
Balance at 30 June 2008	6,938,201	16,256,536	16,115	15,927,127	39,137,979
Refund - Land Sale					
Reallocation of financing assets	6,379,103	-8,377,933	-4,250	2,003,080	0
Net surplus for the year				1,935,379	1,935,379
Transfer to CRR					
Property, plant and equipment purchased					
Capital grants used to purchase PPE					
Donated/contributed PPE	1,123,067	10,360,394			11,483,461
Contributed to Insurance Reserve					
Insurance claims processed					
Transfer to Housing Development Fund					
Assets disposals	-966,513	-364,975	-1,899	1,333,387	
Offsetting of depreciation	13,473,858	17,874,022	9,966	21,198,973	52,556,819
Balance at 30 June 2009					



MTHONJANENI MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Note	2009 R	2008 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		39,068,890	29,520,482
Cash paid to suppliers and employees		-28,065,204	-27,194,146
Cash generated from operations	22	11,003,686	2,326,336
Interest received		2,917,382	2,387,382
Interest paid			
NET CASH FROM OPERATING ACTIVITIES	(A)	13,921,068	4,713,718
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	-11,483,461	-4,312,212
Proceeds on disposal of fixed assets		0	0
Decreases in non-current loans	8	0	0
Increases in investments	7	-1,540,000	-13,261,000
NET CASH FROM INVESTING ACTIVITIES	(B)	-13,023,461	-17,573,212
CASH FLOWS FROM FINANCING ACTIVITIES			
Net loans raised		0	0
Increase in consumer deposits		18,044	-3,576
Increase in Trust Fund			
	(C)	18,044	-3,576
NET CASH INCREASE/(DECREASE) FROM FINANCING ACTIVITIES (A + B + C)		915,651	-12,863,070
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		293,491	13,156,561
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	1,209,142	293,491

ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) and Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	Effects of changes in foreign exchange rates
GAMAP 9	Revenue
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provision, contingent liabilities and contingent assets

Accounting policies for material transactions, events or conditions not covered by the above GRAP and/or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SAGAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual financial statements.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted are disclosed below.

1.2 CONSOLIDATION

The balance sheet includes the Rate and General Services, Trading Services and the different funds, reserves and provisions. All inter departmental charges are set-off against each other, which are treated as income and expenditure in the respective departments.

1.3 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.4 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.



1.5 RESERVES

1.5.1 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisations Reserve instead of the accumulated surplus/(deficit) in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.5.2 *Government Grant Reserve*

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/(deficit). When an item of property, plant and equipment financed from the government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.5.3 *Donations and Public Contributions Reserve*

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring the sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions. When an item of property, plant and equipment financed from government grants is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.6 PROPERTY, PLANT AND EQUIPMENT

1.6.1 Fixed Assets are stated:

at valuation (based on the market value price at date of acquisition), where assets have been acquired by grant or donation. While they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Chief Financial Officer.

1.6.2 Property, Plant and Equipment

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land and buildings, which are revalued as indicated assets, defined as culturally significant resources, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life. Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	<u>Years</u>	<u>Other</u>	<u>Years</u>
Infrastructure			
Roads and Paving		30	Specialist vehicles 10
Electricity	20-30		Other vehicles 6
			Office equipment 3-7
Community			
Security	5		Furniture & fittings 7-10
			Bins and containers 5
			Specialized plant and 10-15
			Other items of plant and equipment

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.6.3 Capital assets are financed from different sources, including external loans, operating income, accumulated surplus. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances.

1.6.4 Capital assets sold or disposed of, the net proceedings will be used to finance further capital assets.

1.6.5 The Municipality has taken advantage of the transitional period set out in GAMAP 17 and the exemption has been permitted by the Minister of Finance, in terms of notice 552 of 2007, and confirmed by National Treasury on 19 November 2007.

1.7 ACCUMULATED SURPLUS

Provision can be made from the accumulated surplus for future capital projects included in the integrated development plan, infrastructure and other items of property plant and equipment.

1.8 RETIREMENT BENEFITS

Melmoth and its employees contribute to R.S.A. Municipal Pension Fund and Councillors contribute to the Municipal Councillors Pension Fund which provides retirement benefits to such employees and Councillors.

The retirement benefit plan is subject to the Pensions Funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Favourable experience adjustments are retained in the retirement benefit plan.

Full actuarial valuations are performed at least every three years.

1.9 SURPLUSES AND DEFICITS

Any surpluses or deficits arising from the operation of the Electricity are retained in that service for its own use.

1.10 INVESTMENTS

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short - term deposit invested in registered commercial banks, are stated at cost.

When investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of Financial Performance.



1.11 REVENUE RECOGNITION

- 1.11.1 Revenue from rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Interest on unpaid rates is recognized on a time proportion basis.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognized as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognized as revenue in the invoicing period. Revenue from the sale of electricity prepaid meter cards are recognized at the point of sale and not when prepaid electricity is consumed.

Revenue from the sale of goods is recognized when the risk is passed to the consumer. Revenue arising from the application of the approved tariff of charges is generally recognized when the relevant service is rendered. Interest and rentals are recognized on a time proportion basis. Revenue from spot fines is recognized when payment is received, and the revenue from the issuing of summonses is only recognized when collected. Government grants are recognized as revenue when all conditions associated with the grant have been met. Where grants have been received but the municipality has not met the condition, a liability is raised. Amounts received from government and donors for the purpose of acquiring items of property, plant and equipment are also recognized as revenue.

- 1.11.2 Pensioners who own and occupy rateable property whose joint gross monthly income does not exceed the amounts set out hereunder shall qualify for the rebates reflected:

Joint Gross Monthly Income	Rebate
0 - 3 000	90%
3 001 - 4 000	80%
4 001 - 5 000	70%
5 001 - 6 000	50%

- 1.11.3 Pensioners who own but do not occupy rateable property whose joint gross income does not exceed the amount set out hereunder shall qualify for the rebate reflected:

Joint Gross Monthly Income	Rebate
0 - 3 000	20%

1.12 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

1.13 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold properties are valued at the lower of cost and net realizable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Redundant and slow-moving inventories are identified and written down and regard to their estimated economic or realizable values. Consumables are written down with regard to their age, condition and utility.

1.14 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

1.15 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on debtors outstanding for more than 90 days for electricity and refuse debtors. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.16 TRADE CREDITORS

Trade creditors are stated at their nominal value.

1.17 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.18 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statements of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance.

1.20 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 COMPARATIVE INFORMATION

1.21.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements of the current financial year only.

1.21.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.



MTHONJANENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
2. ACCUMULATED SURPLUSES		
Rate and General	15,061,985	10,261,952
Electricity	6,136,987	5,665,174
Total Reserves	21,198,972	15,927,126

3. CONSUMER DEPOSITS

Electricity	410,897	406,536
Other	93,959	80,277
Total Consumer Deposits	504,856	486,813

Consumers who do not own the property are required to pay a deposit equating to two months consumption of electricity service.

4. CURRENT PROVISIONS

Leave	209,183	146,530
Total Provisions	209,183	146,530

5. CREDITORS

Trade creditors	1,564,259	3,168,620
Payments in advance	414,027	409,911
Unspent Conditional Grants	4,809,015	3,854,506
Other creditors	50,589	28,556
Total Creditors	6,837,890	7,461,593

MTHONJANENI MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

6. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Infrastructure	Community	Other	Total
	R	R	R	R	R
Carrying values at 30 June 2008		8,985,321	9,236,262	2,986,189	21,207,772
Cost or valuation		10,615,818	10,403,890	6,885,522	27,905,230
Accumulated depreciation		(1,630,497)	(1,167,628)	(3,899,333)	(6,697,458)
Acquisitions	-	602,152	3,887,579	1,131,817	5,621,548
Under Construction		5,334,435	527,478		5,861,913
Depreciation	-	(463,543)	(337,033)	(532,811)	(1,333,387)
Carrying values at 30 June 2009	-	14,458,365	13,314,286	3,585,195	31,357,846
Cost or valuation	-	16,552,405	14,818,947	8,017,339	39,388,691
Accumulated depreciation	-	(2,094,040)	(1,504,661)	(4,432,144)	(8,030,845)

Refer to Appendix B for more detail on property, plant and equipment.

7. INVESTMENTS

	2009 R	2008 R
Financial Instruments		
Short Term Deposits	22,526,204	20,986,204
Call Deposits	2,013,796	2,013,796
Total	24,540,000	23,000,000

8. LONG-TERM RECEIVABLES

Melmoth Golf Club	0
Less: Current portion of long-term debtors	0
Long-term receivables	<u>0</u>

Melmoth Golf Club - has been transferred to Sundry Debtors as this Loan is to be paid off this year with the net profit from the sale of properties which forms part of the Melmoth Golf Clubs lease with the Municipality.

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9. INVENTORY

Inventory represents consumable store and raw materials at cost	<u>245,952</u>	<u>274,252</u>
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MTHONJANENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
10. CONSUMER DEBTORS		
Service debtors	2,415,767	2,516,496
Rates	1,569,797	1,778,146
Electricity	638,349	424,688
Refuse	207,621	313,662
Less: Provision for bad debts	447,763	447,763
Total	1,968,004	2,068,733

Rates: Ageing

Current (0-30 days)	-115,443	-88,826
31-60 Days	201	189,897
61-90 Days	89,215	79,674
91-120 Days	78,259	74,536
150+	1,517,565	1,522,865
Total	1,569,797	1,778,146

(Electricity, Refuse): Ageing

Current (0-30 days)	522,458	309,769
31-60 Days	13,865	47,980
61-90 Days	10,417	30,537
91-120 Days	299,230	350,064
Total	845,970	738,350

Summary of Debtors 30 June 2007**Consumers**

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Current (0-30 days)	407,015	220,943
31-60 Days	14,066	237,877
61-90 Days	99,632	110,211
91-120 Days	377,489	424,600
150+	1,517,565	1,522,865
Sub-total	2,415,767	2,516,496
Less: Provision for bad debts	447,763	447,763
Total debtors by customer classification	1,968,004	2,068,733

11. OTHER DEBTORS

Sundry Debtors	787,803	388,666
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MTHONJANENI MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	R	R
The Municipality has the following bank accounts:		
12. Bank Balance and Cash		
Current Account (Primary Bank Account)		
First National Bank - Melmoth Account Number 54980006117		
Cash book balance at beginning of year	292,770	13,156,040
Cash book balance at end of year	1,208,421	292,770
Bank statement balance at beginning of year	573,292	13,930,418
Bank statement balance at end of year	2,655,115	573,292
Cash on hand - Petty cash	721	521

Note needs to be made that First National Bank is the only bank in Melmoth that has a Manager in attendance at the branch. Standard Bank has an agency in Melmoth, therefore the tender process was not followed through on the primary bank account.

13. PROPERTY RATES

Actual		
Residential	1,264,239	1,113,729
Commercial	1,158,383	984,757
State	693,145	560,542
Municipal	0	0
Agriculture	225,696	317,980
Other	65,190	60,945
Total	3,406,653	3,037,953

Valuations

	July 2007	July 2006
	R 000's	R 000's
Residential	119,725	115,262
Commercial	94,177	93,508
State	70,442	66,536
Municipal	12,539	12,336
Agriculture	109,929	109,929
Other	10,571	10,571
Total Property Valuations	417,383	408,142

The Municipal Property Rates Act No. 6 of 2004 was implemented from July 2007. Valuation date of roll is 1 July 2006

A general rate of 1.23c/R (2007: 1.15c/R) was levied on all properties.

Rebates in terms of the above act were also implemented.

Rates were levied on a monthly basis.

Interest at 18% per annum is levied on outstanding rates.

Pensioners received a rebate according to their income.

ASSESSMENT RATES

rates levied	5,137,501	4,693,639
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REBATES

Compulsory

new properties: agriculture	-314,770	-882,993
State	-36,782	-51,585
Other	-64,587	-90,580

Council Granted

Residential	-227,981	-211,790
State	-173,286	-153,032
Municipal	-154,230	-141,870
Agriculture	-709,921	-63,209
worship	-68,523	-60,622

rounding	-3	-5
	3,387,418	3,037,953

Supplementary roll	41,196	53,240
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Adjustments	-21,961	13,117
	-4130	
	3,402,523	3,104,310

Shown in Statements as: Income	5,174,567	4,765,914
Expenditure	1,772,044	1,661,604
	3,402,523	3,104,310



MTHONJANENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
14. SERVICE CHARGES		
Sale of electricity	7,373,233	5,217,078
Refuse removal	829,629	777,767
Total Service Charges	8,202,862	5,994,844
15. GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	11,532,407	8,756,665
Finance Management	985,235	732,576
Provincial health subsidies	715,723	689,190
Municipal Systems Improvement	2,113,527	1,606,819
Provincial Grants	2,474,843	2,373,479
MIG Grants	6,245,653	1,636,801
		0
Total Government Grant and Subsidies	24,067,388	15,795,530

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive an average monthly subsidy of R90 (2006: R90.00), which is funded from this grant.

MTHONJANENI MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
Provincial Health Subsidies		
Balance unspent at beginning of year		0
Current year receipts - included in public health vote (see Appendix D)	715,723	689,190
Conditions met - transferred to revenue		

The Municipality renders health services on behalf of the Provincial Government and is refunded most of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met.
There was no delay or withholding of the subsidy.

16. OTHER INCOME

Other income	1,203,493	642,346
Total Interest Income		

17. EMPLOYEE RELATED COSTS

Employee related costs - Salaries and Wages	7,982,326	7,064,491
Employee related costs - Allowances	101,656	77,272
Employee related costs - Pension	670,763	631,003
Employee related costs - Medical Aid	277,651	281,444
Employee related costs - UIF	66,744	55,867
Employee related costs - Performance Bonus	191,109	208,999
Total Employee Related Costs	9,290,249	8,319,076



MTHONJANENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
18. REMUNERATION OF MUNICIPAL MANAGER		
Annual Remuneration	539,141	497,822
Performance Bonuses	69,695	74,838
Total	608,836	572,660
REMUNERATION OF CHIEF FINANCIAL OFFICER		
Annual Remuneration	483,669	446,601
Performance Bonuses	62,524	68,251
Car Allowance	0	0
Total	546,193	514,852
REMUNERATION DIRECTOR CORPORATE AND COMMUNITY SERVICES		
Annual Remuneration	483,669	420,641
Performance Bonus	58,890	65,910
Total	542,559	486,551
19. REMUNERATION OF COUNCILLORS		
	2009	2007
Mayor	142,084	179,000
Deputy Mayor	173,130	116,265
Speaker	159,302	124,221
Exco Committee member	142,684	125,713
Councillors	732,335	642,511
Councillors' pension contribution + Medical Aid + Allowances	760,484	712,037
Total Councillors' Remuneration	2,110,019	1,899,747

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Committee

Members are part-time. They are provided with an office and secretarial support at the cost of the Council.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are in accordance with the Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with that Act.

Signed: Municipal Manager

MTHONJANENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
20. BAD DEBTS		
Contribution to the bad debt provision	0	110,000
Bad debts written off		0
Total Bad Debts	0	110,000
21. BULK PURCHASES		
Electricity	5,159,598	3,910,884
Total Bulk Purchases	5,159,598	3,910,884
22. CASH GENERATED BY OPERATIONS		
Net surplus for the year	1,935,379	-1,425,441
Adjustment for:-		0
Depreciation	1,333,387	1,643,949
property, plant and equipment	11,483,461	4,312,212
Contribution to provisions - non-current/Expenditure Against Provisions		0
Contribution to provisions - current	62,653	318,378
Contribution to bad debt provision	0	110,000
Investment income	-2,917,382	-2,387,382
Interest paid		0
Operating surplus before working capital changes:	11,897,498	2,571,716
Increase in inventories	28,300	-175,801
Decrease in debtors	100,729	168,877
Increase in provisions	0	0
Decrease in other debtors	-399,137	160,162
Increase/Decrease in conditional grants and receipts	954,509	-250,177
Increase/Decrease in creditors	-1,578,213	-148,441
Cash generated by operations	11,003,686	2,326,336
23. CASH AND CASH EQUIVALENTS		
Balance at the end of the year	1,209,142	293,491
Balance at the beginning of the year	293,491	13,156,561
Net increase/(decrease) in cash and cash equivalents	915,651	-12,863,070
24. GENERAL EXPENSES	23,704,847	17,556,588
25. CORRECTION OF AN ERROR		
	0	0
26. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED	0	0



MTHONJANENI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
27. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>27.1 Contributions to SALGA</u>		
Opening balance		0
Council subscriptions	22,633	23,352
Amount paid - current year	(22,633)	-23,352
Amount paid - previous years	0	0
Balance unpaid	0	0
<u>27.2 Audit fees</u>		
Opening balance	0	0
Current year audit fee	395,264	333,907
Amount paid - current year	(395,264)	-333,907
Amount paid - previous year		0
Balance unpaid	0	0
<u>27.3 VAT</u>		
VAT is payable on the invoice basis.	0	0
All VAT returns have been submitted by the due date throughout the year.		
May and June 2008 have been brought to account.		
<u>27.4 PAYE and UIF</u>		
Opening balance		0
Current year payroll deductions	1,541,317	1,351,077
Amount paid - current year	(1,541,317)	-1,351,077
Amount paid - previous year	0	0
Balance unpaid	0	0
<u>27.5 Pension and Medical Aid Deductions</u>		
Opening balance		0
Current year payroll deductions and Council Contributions	1,794,595	1,668,082
Amount paid - current year	(1,794,595)	-1,668,082
Amount paid - previous year	0	0
Balance unpaid	0	0
<u>27.6 Non-Compliance with Chapter 11 of the Municipal Finance Management Act</u>		

The Municipality adopted its supply chain management Policy on 15th February 2006

MTHONJANENI MUNICIPALITY NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R
30th June 2008		
27.7 Councillor's arrear debtor's		
At year end the following Councillor had arrear account outstanding for more than 90 days.		
The arrear amount, had arisen due to personal legal processes not been finalised.		
The Speaker has been made aware of the debt.		
Clr Mrs. Jiyane	7,210	4,230
28. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- Approved but not yet contracted for		
Infrastructure	10,797,000	7,948,242
Community		
Heritage		
Other		
Housing Development Fund		
Investment Properties		
Total	10,797,000	7,948,242
This expenditure will be financed from:		
- External Loans		
- Asset Financing Reserve		
- Government Grant	10,797,000	7,948,242
- Internal Cash		
- District Council Grants		
	10,797,000	7,948,242
29. RETIREMENT BENEFITS		
The last statutory valuation of the funds were as follows:		
1. Superannuation 31 March 2007	4,451,200,000	3,340,019,000
2. Provident 31 March 2007	604,849,000	420,254,000
3. Retirement Annuity 31 March 2007	1,571,700,000	1,147,657,000
An amount of R1,299 312 (2008:R1 186 524) was contributed by staff and council in respect of retirement funding. These contributions have been expensed.		
30. CONTINGENT LIABILITIES	0	50,000
Eastern Drilling Testing has served a summons on Mthonjaneni Municipality for Professional services rendered and materials supplied. Wynne & Wynne our attorneys are representing us regarding litigation and claims. Management has no knowledge of any amount due to the plaintiff, no order or letter of appointment has been issued. Management feel confident that this amount is not owing by the Mthonjaneni Municipality.		
31. CONTINGENT ASSETS	0	0
32. IN KIND DONATIONS AND ASSISTANCE	0	0
33. PRIVATE PUBLIC PARTNERSHIPS		
There are no Private Public Partnerships		



MTHONJANENI MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

Balance 30.06.2008	Received during the year	Redeemed during the year	Balance 30.06.2009
-----------------------	--------------------------------	--------------------------------	-----------------------

**EXTERNAL
LOANS**

0 0 0 0

APPENDIX B

MTHONJANENI MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost			Accumulated Depreciation					Carrying Value	Budget Additions
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals		
	30-Jun-08				30-Jun-09	30-Jun-08			30-Jun-09	2009
Roads	4,345,706	602,152	5,334,435		10,282,293	368,993	150,037		519,030	9,763,263
Electricity	6,270,112	987,898			7,258,010	1,261,503	313,506		1,575,009	5,683,001
Clinic	656,356				656,356	109,393	21,878		131,271	525,085
Libraries	679,977				679,977	113,330	22,666		135,996	543,981
Land & Buildings	10,157,133	3,887,579	527,478		14,572,190	1,043,791	328,929		1,372,720	13,199,470
Landfill sites	143,630	0	0	0	143,630	23,938	4,788	0	28,726	114,904
Office Equipment	759,778	57,131		0	816,909	397,074	117,278	0	514,352	302,557
Furniture & Fittings	521,196	0		0	521,196	99,877	51,675	0	151,552	369,644
Motor Vehicles	2,676,976	0		0	2,676,976	1,680,431	291,838	0	1,972,269	704,707
Plant and equipment	1,694,365	86,788		0	1,781,153	1,599,127	30,792	0	1,629,919	151,234
	27,905,229	5,621,548	5,861,913	0	39,388,690	6,697,457	1,333,387	0	8,030,844	31,357,846
										9,194,400

EXPLANATORY NOTES: APPENDIX B

This Appendix sets out more information on Property, Plant and Equipment. It serves as the reconciliation of Property, Plant and Equipment referred to in GAMAP 17. The latest approved budget must also be included in this Appendix as illustrated.



APPENDIX C

MTHONJANENI MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

	Cost			Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
	30-Jun-07					30-Jun-07			
Finance & Admin	433,589	29,679			463,268	158,671	39,486		265,111
Corporate Services	1,170,589	16,085			1,186,674	146,592	49,026		991,056
Health	757,623	0			757,623	158,057	33,733		565,833
Community & Social Services	1,062,813	0	0		1,062,813	174,530	75,910		812,373
Executive & Council	5,285,533	3,887,579	527,478		9,700,590	607,626	207,812		8,885,152
Public Safety	4,732,362	50,626			4,782,988	1,094,600	272,473		3,415,915
Sport & Recreation	791,160				791,160	124,808	26,372		639,980
Technical Services	58,351				58,351	28,615	8,941		20,795
Stores & Workshop	2,997,388	47,529			3,044,917	2,573,461	156,091		315,365
Roads	4,345,706	602,152	5,334,435		10,282,293	368,993	150,037		9,763,263
Electricity	6,270,115	987,898			7,258,013	1,261,504	313,506		5,683,003
Total	27,905,229	5,621,548	5,861,913	0	39,388,690	6,697,457	1,333,387	0	31,357,846

EXPLANATORY NOTES: APPENDIX C

This is a segmental analysis of Property, Plant and Equipment. The standard GFS classifications set out in the Budget Reforms have been used. However, the segments used can be the organisational structure of the Municipality. The totals of Appendix C must agree to those in Appendix B.

APPENDIX D

MTHONJANENI MUNICIPALITY: SEGMENTAL INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

2008	2008	2008	2009	2009	2009
Actual	Actual	Surplus/	Actual	Actual	2009
Income	Expenditure	(Deficit)	Income	Expenditure	Surplus/
R	R	R	R	R	(Deficit)
4,765,914	1,661,604	3,104,310	5,174,567	1,772,044	3,402,523
1,640,405	3,292,714	-1,652,309	2,423,955	3,277,301	-853,346
10,586,719	6,330,397	4,256,322	13,585,935	7,728,810	5,857,125
689,190	802,098	-112,908	715,723	835,676	-119,953
2,585,035	9,011,145	-6,426,110	3,158,809	9,750,555	-6,591,746
340,000	307,482	32,518	340,000	279,465	60,535
3,939,054	4,288,212	-349,158	8,763,605	8,843,766	-80,161
1,462,767	1,125,875	336,892	1,329,629	1,227,535	102,094
6,017,571	6,350,826	-333,255	8,564,501	8,406,193	158,308
32,026,655	33,170,353	-1,143,698	44,056,724	42,121,345	1,935,379
32,026,655	33,170,353	-1,143,698	44,056,724	42,121,345	1,935,379

1 Assessment Rates
A1 Executive and Council
A5 Finance & Admin
C1 Health
B1 Community & Social Services
B5 Public Safety
C5 Road Transport
6 Sport & Recreation
7 Environmental Protection
D1 Waste Management
9 Cemetery
D5 Electricity

Sub Total
Less: Inter-Dep Charges
TOTAL

EXPLANATORY NOTES: APPENDIX D

This is a segmental income statement. The standard GFS classifications set out in the Budget Reforms have been used. However, the segments used can be the organisational structure of the Municipality.



APPENDIX E 1
MTHONJANENI MUNICIPALITY: ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2009
REVENUE

	2009 Actual (R)	2009 Budget (R)	2009 Variance (R)	2009 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
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Property rates	1	5,174,567	3,380,000	-1,794,567	53.09	R 1772 044 income foregone
Property rates - penalties imposed and collection charges	2	254,244	350,000	95,756	-27.36	
Service charges	3	8,202,862	7,354,000	-848,862	11.54	
Rental of facilities and equipment	4	374,192	459,000	84,808	-18.48	
Interest earned - external investments	5	2,917,382	1,500,000	-1,417,382	94.49	Increase in Investments
Fines	6	139,716	170,000	30,284	-17.81	
Licences and permits	7	1,828,236	2,164,000	335,764	-15.52	
Income for agency services						
Government grants and subsidies	8	24,067,388	21,665,000	-2,402,388	11.09	R 1000 000 iro 2009/10 MIG; R 375 000 Dept of Sport
Other income	9	1,098,137	704,900	-393,237	55.79	Various
Public contributions, donated/contributed						
Gains on disposal of property, plant and equipment						
Total Revenue		44,056,724	37,746,900	-6,309,824	16.72	
EXPENDITURE						
Employee related costs	10	9,290,249	9,718,000	427,751	-4.40	
Remuneration of Councillors	11	2,110,019	2,135,300	25,281	-1.18	
Bad Debts	12	0	150,000	150,000	-100.00	
Collection Costs	13	3,890	55,000	51,110	-92.93	Collection of Legal Fees
Depreciation		1,333,387	1,700,000	366,613	-21.57	
Repairs and Maintenance	14	1,519,140	1,946,700	427,560	-21.96	Procurement Planning
Interest on external borrowings						
Bulk purchases	15	5,159,598	5,130,000	-29,598	0.58	
Contracted services	19	572,128	594,000	21,872	-3.68	
Grants and subsidies paid	16	251,020	300,000	48,980	-16.33	
General expenses - other (including abnormal expenses)	17	21,740,956	17,652,900	-4,088,056	23.16	grants
Contributions to/provisions	18	140,958	400,000	259,042	-64.76	
Loss on disposal of property, plant and equipment						
Total Expenditure		42,121,345	39,781,900	-2,339,445	5.88	
NET SURPLUS / (DEFICIT) FOR THE YEAR		1,935,379	-2,035,000	-3,970,379		

Appropriations

0

TOTAL NET SURPLUS / (DEFICIT)**1,935,379**

APPENDIX E 2(i)

MTHONJANENI MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance	2009 %	Explanation of Significant Variances Greater than 5% versus Budget
Land and Buildings								
Land								
Buildings								
Infrastructure								
Drains								
Roads	602,152	5,334,435	5,936,587	5,345,000	-11,06	0.00	MIG 2008/09 approval granted	
Beach Improvements								
Sewerage Mains & Purification								
Electricity Mains	987,898		987,898	975,000	-1,43	0.00		
Electricity Peak Load Equip								
Water Mains & Purification								
Reservoirs - Water								
Water Meters								
Water Mains								
Community Assets								
Parks & Gardens								
Libraries								
Recreation Grounds								
Civic Buildings	3,887,579	527,478	4,415,057	2,704,000	-63,28	0.00	Allocation of LED Expenditure work in progress	
Heritage Assets								
Historical Buildings								
Painting & Art Galleries								
Total carried forward	5,477,629	5,861,913	11,339,542	9,024,000				



APPENDIX E 2(ii)

MTHONJANENI MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

	2009 Actual	2009 Under Construction	2009 Total Additions	2009 Budget	2009 Variance	2009 Variance	2009 %	Explanation of Significant Variances Greater than 5% versus Budget
Total brought forward	5,477,629	5,861,913	11,339,542	9,024,000				(Explanations to be recorded)
Housing Rental Stock								
Housing Rental 1								
Housing Rental 2								
Leased Assets (Infrastructure)								
Sewerage Mains & Purify								
Other Assets								
Land								
Buildings								
Landfill sites								
Office Equipment	57,131		57,131	55,000	-3.87			
Furniture & Fittings	0		0	2,400	0.00			
Bins and Containers								
Emergency Equipment								
Motor Vehicles	0		0	0	0.00			
Fire Engines								
Refuse Tankers								
Computer Equipment								
Councillors Regalia								
Conservancy tankers								
Plant & Equipment	86,788		86,788	113,000	23.20			
Refuse Tractor								
Refuse Trailer								
Total	5,621,548	5,861,913	11,483,461	9,194,400	90.63			

APPENDIX F
MTHONJANENI MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003
AS AT 30 JUNE 2009

Name of Grants	Name of origin of state or municipal entity	Grant and Subsidies Received Quarterly Reports						Quarterly Expenditure						Grants and Subsidies delayed/withheld						Reason for delay/ withholding of funds
		Mar-08	June	Sept	Dec	Mar-09	Jun-09	Mar-08	June	Sept	Dec	Mar-09	Jun-09	Mar-09	June	Sept	Dec	March		
		000	000	000	000	000	000	000	000	000	000	000	000	000	000			March		
MFMA	TREASURY			500				43	147	42	73	62	113							
HEALTH	PROV.	124		160	170	207	139	124	160	170	207	139	174							
LUMS	PROV.								0	3		99								
PMS	PROV.	0						4	49	23	25	0	0					finished		
MDPCB	PROV.							14	14	2		0	0							
IDP	PROV.							39	0	0	0	0						finished		
MSIG	TREASURY			735	0			61	69	24	131	51	150							
DISCB	PROV.	0								13	5	55	27							
VALUATIONS	PROV.							1	0	0	0	3								
MFMA	PROV.							0		0	0							finished		
ALOE PROD	PROV.	180				0		2	3			66	0							
MAP	TREASURY			300				49	0		26	9	80							
LIBRARY	PROV.			86						6	7	20	20							
TOURISM	DISTRICT			37						10	19	8	3							
PROJ. CONS.	PROV.							100	0			0						finished		
PROJ. CONS.	PROV.							0	0	0		1	8							
PROJ. CONS.	PROV.							14	14	25	0	0	0					finished		
PROJ. CONS.	PROV.							0	5		1		0					finished		
MIIP	PROV.	0						0			0									
REDS	PROV.	0							0		132									
		304	0	1818	170	207	139	451	461	318	626	513	575	0	0	0	0	0		

This excluded Equitable Share.



Audit Committee Certificate

CERTIFICATE IN TERMS OF SECTION 166 (2) OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, NO 56 OF 2003

I, ROBERT GEORGE MORROW, acting in my capacity as Chairman of the Audit Committee of the Mthonjaneni Municipality, hereby certifies that the Audit Committee has reviewed the 2008/2009 Annual Financial Statements as required in terms of Section 166 (2) of the Local Government: Municipal Finance Management Act, No. 56 of 2003, and express the view that the Financial Statements portray the efficiency and effectiveness of the municipality and its overall compliance with the Municipal Finance Management Act.

A handwritten signature in black ink, appearing to read 'R. Morrow', written over a horizontal line.

ROBERT GEORGE MORROW
CHAIRMAN : AUDIT COMMITTEE
DATE : 23 NOVEMBER 2009